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ABSTRACT

This brochure presents the facts about the financial situation of older women. It explains the vital role of Social Security (SS) for women and offers suggestions to improve their financial outlook. A true/false checklist tests knowledge about women growing older and remaining financially secure. These reasons for poorer older women are outlined: women spend much of their lives out of the workforce and in retirement rely on husbands' SS benefits; women outlive their husbands; women are not guaranteed they will receive husbands' pensions; and divorce can change women's retirement prospects. Discussion shifts to why working women have less retirement income than men, including that there is no retirement benefit for work done at home; women's discontinuity of employment; disparities in pension; and outliving a pension. Focus then falls on SS, including the rationale for its place as the cornerstone of retirement income for women; how it protects families; how to determine one's SS benefit; and whether SS should be privatized. Issues that older women throughout the world face are discussed, including less opportunity to work and the low labor force participation of older women. Suggestions are listed for what women should do to plan carefully for retirement and for what societies can do to prepare women to age productively. (YLB)

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Unjust Desserts

Financial realities of older women

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Unjust Desserts
is a collaborative effort of the AARP and
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This publication is based in part on two
ILC reports:

Economic Status of Older Women
by Charlotte Muller, Ph.D., Marjorie Honig, Ph.D.,
Oleg Volkov, Ph.D., Alma Oprisiu, and
Kenneth Knapp, Ph.D.

Married Women's Retirement Expectations:
Do Pensions and Social Security Matter?
by Marjorie Honig, Ph.D.

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The economic status of older women

Women can expect a secure retirement: True or false?

How realistic are your expectations about growing old and remaining financially secure? Test your knowledge with these true/false questions:

T F

☐☐ 1/ *Pension benefits are the same for retired men and women.*

☐☐ 2/ *Older women and men receive the same benefits from Social Security.*

☐☐ 3/ *Your husband's pension guarantees your own economic well-being as you age.*

☐☐ 4/ *Men and women over the age of 85 tend to outlive their savings at the same rate.*

☐☐ 5/ *You can't outlive your Social Security benefits.*

Answers: 1/False; 2/False; 3/False; 4/False; 5/True

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Why a brochure about women and poverty?

Throughout the world women are outliving men. In the United States, women live nearly six years longer than men and account for almost 60 percent of the population over 65. At the same time, they make up a full 70 percent of all older people who are poor.

Women should be financially secure as they grow old.

In every society throughout the world it is typically a woman's job to cook the food, raise the children, and care for their aging parents. Women are the caregivers and housekeepers for their working spouses.

The sad truth is that these contributions to society are not given a monetary value. Women's work as mothers and homemakers is not counted toward lifetime earnings. Women receive no pension for their years of work for the family and are much more likely than men to be poor in old age.

Economic advances and social programs have solved many problems, but the poverty of older women has not lessened.

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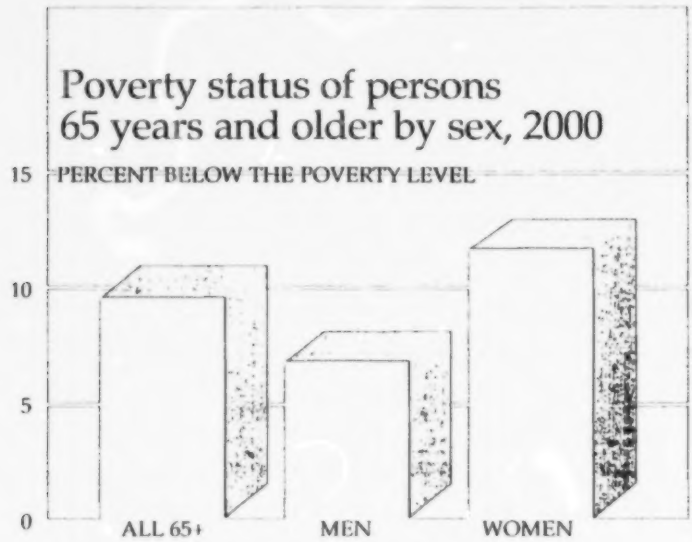

Source: Statistical Abstract of US 2001, Table 40.

Today, women over 65 are twice as likely to be poor as men over 65. Because they live longer, women need more retirement income. As they continue to live longer, the need for income will increase as well.

An older woman is often dependent on her husband's retirement income. It is common for women to marry men who are a few years older. If they outlive their spouse they may not be eligible for the same pension benefits after his death.

The highest rates of poverty are found among older single women, a category that includes widows and divorced women as well as those who never married.

This brochure presents the facts about the financial situation of older women. It explains the vital role of Social Security for women and offers suggestions to improve their financial outlook.

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Why are older women poorer than older men?

On average, working women earn less than men throughout their lives. Women frequently take time out of their careers to care for children or aging parents. In all societies, women tend to be the primary caregivers.

Because women spend much of their lives out of the workforce—raising children and keeping house—their lifetime earnings are low, and in retirement they rely heavily on their husband's Social Security benefits.

It is far more likely for a woman to outlive her husband than for a husband to outlive his wife.

Although women tend to live longer, they must get by with less pension and savings income. Women are only half as likely as men to have private pensions, and their pensions are only half as large.

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Women have less pension and savings income, even though they tend to live longer than men.

Private pensions are available to half as many women as men.

When they do exist, women's pensions tend to be only half as big as men's.

Does a husband's pension guarantee a wife's financial security?

There is no guarantee that a widow will receive her husband's pension. Some pensions end when the spouse dies, and some pensions decrease after the spouse's death. Employer insurance benefits don't necessarily continue after the spouse's death, and this too has an impact on a woman's ability to survive. A generation ago, women relied heavily on a husband's pension to support them in old age. This situation is changing. Married women approaching retirement today will have spent more time in the labor force. They have earned more income and accumulated more in the way of employer pensions than in the past.

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Divorce can drastically change a woman's retirement prospects.

The rate of divorce today is much higher than in the past. In 1970, 82 percent of women ages 45 to 54 were married, while 5 percent were divorced. By 2000, however, the number of married women ages 45 to 54 had fallen to 70.4 percent, with 17.2 percent divorced. A divorced woman is eligible for Social Security on the same basis as her ex-spouse only if the marriage lasted ten years.

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Why do working women have less retirement income than men?

There are many reasons why women end up poor. Throughout their working lives, women earn significantly less than men. As of 2000, the median* earnings of women who worked full-time year-round were $28,823. Men earned $39,020. The good news is that this gap has narrowed. In the 1960s, women's pay was about 60 percent of men's. By the year 2000,

*Median is the exact midpoint, one-half earning more and one-half earning less.

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it had increased to 73 percent. The bad news is that the gap between men's and women's income probably won't close in the near future.

No retirement benefit for work done at home

Societies cannot survive without children being raised, food being cooked, laundry being done, and homes being kept. In other words, society cannot function without the caregiving activities that women presently provide without receiving the protection that is provided to the paid labor force.

Women raise each new generation to become workers. They maintain the home environment for their spouses. They take care of the old and the disabled. Their care for the young enables other family members to be in the paid workforce. Although women devote years of labor to these necessary tasks, this work is unpaid. When they grow old they do not get retirement credit.

Discontinuity of employment

Women are more likely than men to leave the workforce to take care of children and aging parents—often for many years. As a result, their working life tends to be shorter. For example, of those workers who first received retirement benefits in 1999, women had a median 32 years of paid employment, compared with 44 years for men.

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Disparities in pension

There are big differences between pensions of older women and those of older men. As of 2000, 36 percent of men age 65 or older and 22.5 percent of women received their own employer pensions.

The situation is improving somewhat for women currently in the workforce. Today, of all workers who participate in pension plans, 53 percent are men and 47 percent women. In both cases, however, women's pension benefits will be lower than men's because their earnings are lower.

Outliving a pension

Women's increased life expectancy has an unfortunate downside. Many women expect their pensions to last for the rest of their lives, but not all pensions provide lifetime income. Although some provide a set amount of money every month for as long as a retired worker or spouse is alive, other plans are beginning to give individuals the option of receiving their entire life savings when they retire. A third option plan, 401(k), gives only a lump sum at retirement. A woman whose retirement income consists of a lump sum runs the risk of outliving her savings. This may happen even to women who have worked for many years. Because women tend to live longer than men, they are more likely to outlive their savings.

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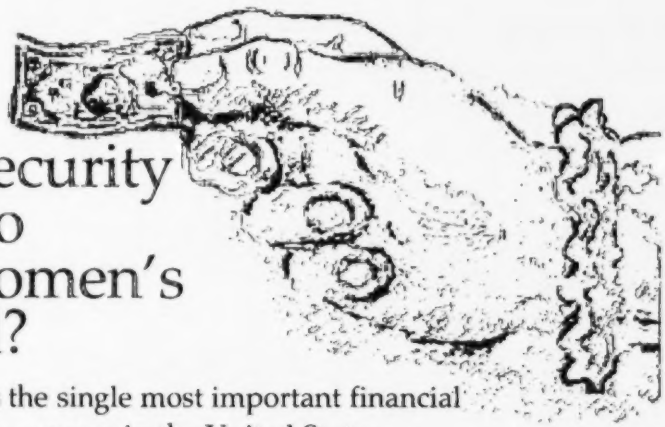
In the United States, approximately 70 percent of older households have annual incomes below $35,000. Almost 30 percent of those households have incomes between $10,000 and $20,000.



Why is Social Security crucial to older women's survival?

Social Security is the single most important financial resource for older women in the United States.

Why is Social Security the cornerstone of retirement income for women?

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- ✔ Social Security is guaranteed, for life.
  No matter how long she may live, a woman will not outlive her Social Security benefit. She may outlive her savings, but she will always get Social Security.
- ✔ Social Security benefits are progressive.
  This means that lower income earners receive a higher rate of income replacement from Social Security.
- ✔ Social Security income is protected against inflation.
  The annual cost-of-living adjustment (COLA) helps to protect its buying power.
- ✔ Social Security benefits cover dependents.
  Spouses and divorced spouses, widows with young children as well as aging widows are covered.

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The wives and widows of retired workers receive Social Security benefits, including divorcees who were married for at least ten years.

How does Social Security protect families?

When husbands and fathers die or become disabled, Social Security survivor and disability benefits enable women to keep their families together. Disability benefits help more than six million people, including 1.5 million children.

How much will you receive from Social Security?

As you plan for retirement, you need to know how much your Social Security benefit will be. You can find this information in several different ways:

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Check your annual
Social Security statement.

You should receive this every year about three months before your birthday. The Social Security Administration sends this statement to everyone aged 25 or older who has paid into the program but does not yet receive benefits.

Request a statement in writing.

- ✔ Call Social Security at its toll-free number, 1-800-772-1213, and request Form SSA-7004.
- ✔ Download the form from the Internet, at www.ssa.gov/online/ssa-7004.html.
- ✔ Calculate your benefit yourself. Use the programs available on the Internet at www.ssa.gov/retire2.

For more information,
contact Social Security:

- ✔ By phone: Call toll-free, 24 hours a day: 1-800-772-1213.
- ✔ For the hearing impaired: Call the toll-free TTY number, 1-800-325-0778, weekdays between 7 a.m. and 7 p.m.
- ✔ On the Internet: Visit www.ssa.gov. There you will find a special Web page for women who want to know more about Social Security.

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Should Social Security be privatized?

The 1990s were a time of peace and prosperity. There was much talk of privatizing Social Security when stock market returns of 20 percent per year seemed normal. Individuals would be allowed to put part of their payroll taxes into voluntary investment accounts rather than into the government-run Social Security system.

Today, however, many investors have lost 30 percent, 40 percent, or more of their 401(k) savings. This is a problem for the entire workforce, but it is especially bad news for older workers and their spouses. Unlike young workers who can ride out the market's downturns and wait for its "upturns," older people will depend on this money for retirement in the near future.

Projected cuts for future Social Security beneficiaries have also reduced support for this scheme. The recommended cuts would affect most heavily those who rely on Social Security for survival—older women.

Social Security has benefited many older women; however, many are still left unprotected. The umbrella of care must be enlarged so it covers older women who currently are excluded from this program.

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How do aging women fare around the world?

Older women throughout the world face many of the same issues as women in the United States.

Less opportunity to work

Many older women want to work to relieve the financial burden to their families or to society. Some women find that meaningful work stimulates them, boosts their self-esteem, and preserves their identity. But as women grow older, age discrimination comes into play. Finding work and being paid equitably can be challenging.

Low labor-force participation of older women

Throughout the world, women participate in the paid workforce at a consistently lower rate than men of the same age. Very few older women tend to be employed. In the United States, for example, only 7.36 percent of women ages 65 and older participate in the labor force. In other countries, women may not be permitted to work outside the home, or their opportunities may be extremely limited. These factors contribute to the widespread poverty and dependent state of aging women.

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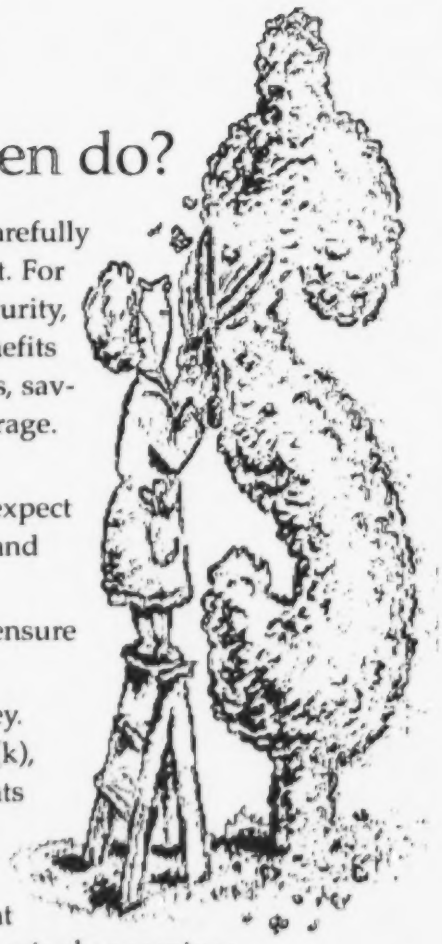
What can women do?



Women must plan carefully for their retirement. For true retirement security, Social Security benefits must be bolstered with pensions, savings, and health insurance coverage. A woman should:

- ✔ Find out how much income to expect from Social Security, pensions, and other sources.
- ✔ Set aside additional savings to ensure her future well-being.
- ✔ Learn how to manage her money. If she or her husband has a 401(k), she must choose safe investments that will grow. She must learn how to diversify her assets.
- ✔ Enroll in a training program that teaches her skills she can use to raise her earnings. She should take advantage of employer programs that offer time off or give financial support for such training programs. Some local schools offer low-cost evening programs. And online courses are available.
- ✔ Plan very carefully to ensure adequate health care in retirement. Do her employer's health benefits extend into retirement? Can she afford to purchase health insurance supplemental to Medicare? What coverage will she have for prescription drugs?

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What can societies do?

All nations need to promote the productive potential of older women and help them achieve economic security. Countries can prepare women to age productively in many ways:

- ✔ Women's unpaid productive activities should be credited toward retirement benefits.
- ✔ Women's contributions should be counted toward the years required to receive a public pension. Caregiving services throughout adult life should qualify in improving eligibility and benefit level.
- ✔ Gender-based discrimination must be eliminated in hiring, in wages, and in advancement.
- ✔ Countries should seriously review social programs that discriminate against women.
- ✔ Age bias must be removed from programs that are directed at women.
- ✔ Social insurance programs should provide automatic, annual cost-of-living adjustments (COLA) in benefits to help people keep up with inflation as they grow older.
- ✔ Lifelong access to health services must be guaranteed.
- ✔ Non-cash benefits, such as senior lunch programs and low-cost transportation as well as free cultural events, can supplement retirement income programs and directly contribute to the physical survival and emotional well-being of older women.

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- ✔ While all older women need adequate income replacement, many would benefit from increased job opportunities. Programs should be instituted to develop opportunities for skilled and experienced older women who want to remain in the labor force. Unskilled women should be trained.
- ✔ Older women's economic situations are different from those of men. An organized effort must be made to statistically measure women's needs and preferences and the progress that is being made.
- ✔ Finally, policies should consider women's entire life course and the way in which women's early educational and career experience can affect their ability to remain socially productive and emotionally fulfilled as they age.

Conclusion

Medical and economic advances help women to live longer, healthier lives today. Now women must plan to live those added years productively. Women have nurtured society all their lives. They still have much to contribute, both economically and socially, as they age. Older women represent a valuable, largely untapped labor force, and society has everything to gain from utilizing and appreciating their growing potential.

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Websites

Administration on Aging:
Information designed for older Americans and their families.
www.aoa.gov

Department of Health and Human Services:
Covers a wide spectrum of areas relating to health and social welfare.
www.dhhs.gov

GovBenefits:
A free screener that provides a customized individual report of all government benefits to which you may be eligible.
www.govbenefits.gov

Pension Benefit Guaranty Corporation:
This federal agency protects traditional pension plans.
www.pbgc.gov

Railroad Retirement Board Internet Services:
www.rrb.gov

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